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SERVICE SECTOR INDICATORS

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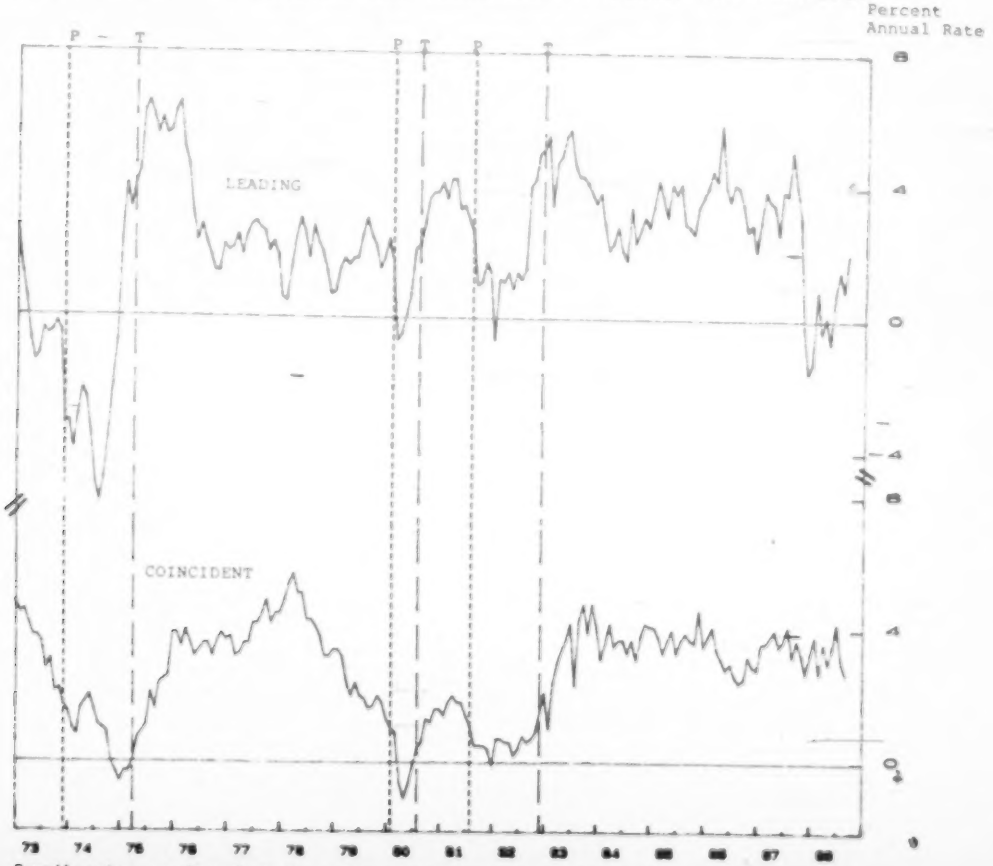
SERVICES GROWTH CONTINUES TO MODERATE

In September the coincident index for service sector economic activity grew at a smoothed annual rate of 2.7%, down from 3.1% in August. The median monthly growth rate in this index for the previous 18 months is 3.6%, suggesting the performance of the service sector in both August and September was comparatively weak.

The leading index, which has been found historically to lead service sector activity by 6 to 12 months, grew at an annual rate of 2.0% in September, up from a revised 0.9% in August. While the September outcome is somewhat encouraging, of more importance is the generally soft performance of the index throughout most of this year (See Chart). "The service sector is apt to grow at the slower rate evident in August and September," said Dr. Allan P. Layton, who compiled the new service sector indicators at the Center for International Business Cycle Research.

GROWTH RATES IN LEADING AND COINCIDENT INDEXES FOR SERVICES



Growth rates are based on the ratio of the current month's index to the average index for the preceding twelve months, expressed as a compound annual rate. Vertical lines are peaks (P) and troughs (T) in the business cycle chronology.

LEADING INDEX OF SERVICES, AND COMPONENTS

	Leading Index (1967=100)	Leading Index Growth Rate (%)	Average Workweek, Services (hours)	Construction Contracts, Commercial Buildings (mil. sq. ft., ann. rate)	S&P Stock Price Index, Services, (Mar. 87=100)	Index of Profit Margins, Services (1982=100)
	1.	2.	3.	4.	5.	6.
1987:						
Jan.	147.3r	3.0	32.80	829	93.5	113.3
Feb.	148.4r	3.9	32.99	756	97.5	113.5
March	148.6r	3.6	32.92	799	100.0	113.2
April	148.9r	3.5r	32.95	827	95.0	113.9
May	148.5r	2.6r	32.99	743	93.6	112.8r
June	149.9r	3.9r	32.88	904	100.1	114.3r
July	150.3r	3.8	32.93	857	101.1	114.5r
Aug.	151.7r	5.1r	33.06	851	107.7	114.9r
Sept.	151.4r	4.1r	33.00	884	103.4	114.8r
Oct.	151.1r	3.1r	32.97	813	92.1	117.1r
Nov.	148.9r	-0.2	32.96	779	81.8	112.7r
Dec.	148.0r	-1.6r	32.68	890	79.2	111.6r
1988:						
Jan.	148.4r	-1.3r	32.98	716	82.3	110.7
Feb.	150.2r	0.9	32.94	948	86.0	111.6
Mar.	149.3r	-0.4r	32.70	771	87.5	111.9
Apr.	149.8r	0.1r	33.01	718	85.3	110.2r
May	149.2r	-0.7r	32.80	716	83.0	110.6r
June	150.5r	0.8r	32.82	782	89.2	111.1r
July	151.1r	1.5r	33.04r	771	88.7	110.3r
Aug.	150.7r	0.9r	32.71r	820	87.9	111.4
Sept.	151.5	2.0	32.80	771	91.0	---

COINCIDENT INDEX OF SERVICES, AND COMPONENTS

	Coincident Index	Coincident Index Growth Rate (%)	Services Output, GNP (bil. 1982$, ann. rate)	Services, Personal Consumption Expenditures (bil. 1982$, ann. rate)	Services Labor Income (bil. 1982-84$ ann. rate)	Service Employee Hours (bil., ann. rate)
	7.	8.	9.	10.	11.	12.
1987:						
Jan.	173.1	2.8	1769.9	1213.5	635.935	102.269
Feb.	174.2	3.6	1778.2	1222.1	640.043	103.100
March	174.7	3.6	1784.5	1230.3	640.428	103.256
April	175.3	3.8	1790.9	1232.1	642.172	103.776
May	175.9	4.0	1797.2	1236.3	644.708	104.084
June	176.0	3.5	1800.3	1238.1	643.458	104.339
July	176.7	3.7	1803.5	1245.7	646.298	104.771
Aug.	177.6	4.1	1806.6	1250.7r	652.241	105.332
Sept.	177.3	3.2	1811.8	1244.5	649.286	105.391
Oct.	178.3	3.7	1817.1	1256.6	654.064	105.786r
Nov.	178.5	3.3	1822.3	1250.2	656.031	106.077
Dec.	178.4	2.7	1826.0	1254.1	653.886	105.794
1988:						
Jan.	179.5	3.3	1829.7	1260.7	660.884	106.641
Feb.	180.5	3.8	1833.4	1268.2	663.790	107.636
Mar.	180.0	2.7	1837.6	1269.0	659.442	107.032
Apr.	181.3	3.6	1841.9r	1269.4	669.368	108.109
May	181.2	3.0	1846.1	1272.0	668.072	107.786
June	182.1r	3.5r	1850.5	1283.1	668.889	108.546
July	182.3r	4.2r	1854.9	1286.4r	676.839r	109.713r
Aug.	182.8r	3.1	1859.3	1291.1r	671.183r	108.899r
Sept.	182.9	2.7	---	1288.1	672.569	109.133

Note: Cols. 2 and 8. The growth rates are six-month smoothed percent changes at annual rate, based on the ratio of the current month's index to the average for the preceding twelve months. r = revised.

Sources: 3. Bureau of Labor Statistics, Production and non-supervisory workers.
4. McGraw-Hill Company, F.W. Dodge Division. Seasonally adusted by CIBCR.
5. Standard & Poor's Corporation indexes for 13 service industries, compiled by CIBCR.
6. This series relaces 'Corporate Profits.' The new series is monthly and available on a more timely basis. It is constructed by CIBCR using the deflator for services consumption, labor income, and an experimental monthly services output index developed by the Federal Reserve Board.
9, 10. Department of Commerce, Bureau of Economic Analysis. Quarterly data for output are interpolated by CIBCR.
11. Bureau of Labor Statistics. Payroll index, 1977=100, converted to 1982-84 dollars by CIBCR, using CPI, All Urban Consumers, seasonally adjusted.
12. Bureau of Labor Statistics, all employees.

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